



BEFORE THE ARIZONA CORPORATIC



WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

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AZ CORP COMMISSION
SERVICE CONTROL

IN THE MATTER OF ARIZONA PUBLIC SERVICE)	DOCKET NO.
COMPANY'S REQUEST FOR A VARIANCE OF)	E-01345A-01-0822
<u>CERTAIN REQUIREMENTS OF A.A.C. R14-2-1606)</u>	
IN THE MATTER OF THE GENERIC PROCEEDINGS)	DOCKET NO.
<u>CONCERNING ELECTRIC RESTRUCTURING.)</u>	E-00000A-02-0051
IN THE MATTER OF TUCSON ELECTRIC POWER)	
COMPANY'S APPLICATION FOR A VARIANCE OF)	DOCKET NO.
<u>CERTAIN ELECTRIC COMPETITION RULES)</u>	E-01933A-02-0069
<u>COMPLIANCE DATES.)</u>	
IN THE MATTER OF THE APPLICATION OF)	DOCKET NO.
TUCSON ELECTRIC POWER COMPANY FOR)	E-01933A-98-0471
<u>APPROVAL OF ITS STRANDED COST RECOVERY.)</u>	
IN THE MATTER OF THE GENERIC PROCEEDING)	DOCKET NO.
<u>CONCERNING THE ARIZONA INDEPENDENT)</u>	E-00000A-01-0630
<u>SCHEDULING ADMINISTRATOR)</u>	

**AUIA'S COMMENTS
ON STAFF'S LIST OF TRACK B ISSUES**

In response to the Procedural Order of June 20, 2002, the Arizona Utility Investors Association (AUIA) hereby files its comments on the list of Track B issues submitted by the Commission Staff on May 31, 2002.

AUIA has only one substantive comment, to wit:

AUIA is one party that believes the question of utility (UDC) divestiture (transfer) of generating assets is linked inextricably to the question of competitive solicitation, including bidding, to meet the requirements of standard offer customers.

During the recently completed hearing on Track A issues, the Staff's policy witness, Mathew Rowell, testified under cross examination that:

- Any UDC generation assets that are not divested, either by choice or by Commission order, would remain under cost of service regulation.

1 • The Staff does not intend for any competitively bid merchant
2 generation to displace generation assets that are under cost of service
3 regulation.

4 Staff apparently recognizes that a competitive solicitation that would
5 dismember a UDC's rate base would lead to a regulatory quagmire. It follows
6 that no bidding process that would have the effect of displacing rate-based
7 generation should take place, or have an effective date, prior to the time
8 when a UDC would have the opportunity to transfer its assets.

9 Presumably, the decisions reached in the Track A proceeding will
10 determine the terms and conditions under which a UDC may transfer its
11 generation assets to an affiliate. The procedural order in this proceeding
12 recognizes that the Track B schedule beyond July 25 is dependent in part on
13 the results of Track A.

14 Nevertheless, the Track B issues should be made to recognize that the
15 scope of competitive bidding will be influenced by divestiture, and its
16 implementation -- if it encompasses anything more than incremental load
17 growth -- must be synchronized with the utilities' ability to divest under the
18 Commission's rules.

19
20 RESPECTFULLY SUBMITTED THIS 1ST DAY OF JULY, 2002.

21
22 
23 _____
24 WALTER W. MEEK, PRESIDENT
25
26

1 **CERTIFICATE OF SERVICE**

2
3 Original and eighteen (18) copies of these
4 Comments were filed this 29th day of May, 2002, with:

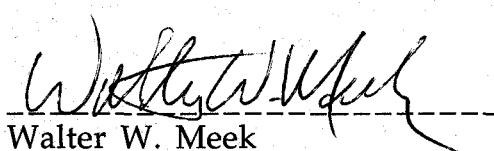
5
6 Docket Control
7 Arizona Corporation Commission
8 1200 W. Washington Street
9 Phoenix, AZ 85007

10
11 Copies of the referenced Notice
12 were hand-delivered this 1st day of
13 July, 2002, to:

14
15 William A. Mundell, Chairman
16 Hercules Dellas, Esq.
17 James M. Irvin, Commissioner
18 Patrick Black, Esq.
19 Marc Spitzer, Commissioner
20 Paul Walker, Esq.
21 Christopher Kempsey, Esq., Legal Division
22 Ernest Johnson, Esq., Utilities Division
23 Lyn Farmer, Esq., Hearing Division
24 Arizona Corporation Commission
25 1200 W. Washington
26 Phoenix, AZ 85007

27
28 Copies of this Notice were faxed or mailed
29 this 1st day of July, 2002, to:

30
31 Appropriate parties of record

32
33
34 
35 _____
36 Walter W. Meek